
INVESTMENT STRATEGY QUARTERLY

MARKET COMMENTARY AND INVESTMENT GUIDANCE

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Investment Strategy Quarterly is intended to communicate current economic and capital market information along with the informed perspectives of our investment professionals. The content of this publication should be discussed with your financial advisor in the context of your own unique circumstances. Published 4/11/2012. Material prepared by Raymond James for use by its financial advisors.

CAPITAL MARKETS SNAPSHOT

Equity Indices	As of 3/31/2012	1Q12 Return	12-Month Return
Dow Jones Industrial Average	13,212.04	8.84%	10.18%
S&P 500	1,408.47	12.59%	8.54%
NASDAQ	3,091.57	18.98%	12.37%
MSCI EAFE	1,553.46	11.00%	-5.27%

Commodities	As of 3/31/2012	1Q12 Return	12-Month Return
Gold	1,668.35	6.69%	16.48%
Crude Oil	103.02	4.24%	-3.47%

Rates (%)	As of 3/31/2012	As of 12/31/2011	As of 3/31/2011
Fed Funds Target Rate	0.25	0.25	0.25
3-Month LIBOR	0.47	0.58	0.30
6-Month CD	0.48	0.64	0.35
10-Year Treasury	2.23	1.89	3.47
30-Year Mortgage	4.23	4.07	4.92
Prime Rate	3.25	3.25	3.25

Currencies	As of 3/31/2012	As of 12/31/2011	As of 3/31/2011
U.S. Dollars per Euro	1.33	1.30	1.42
U.S. Dollars per British Pound	1.60	1.55	1.61
Japanese Yen per U.S. Dollar	82.63	77.00	82.83
Canadian Dollars per U.S. Dollar	1.00	1.02	0.97

ASSET CLASS RETURNS

2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012YTD
Fixed Income 8.4%	Commodities 25.9%	Real Estate 40.7%	Real Estate 38.0%	Commodities 21.4%	Real Estate 42.3%	Commodities 16.2%	Fixed Income 5.2%	Real Estate 38.3%	Real Estate 20.4%	Fixed Income 7.8%	Real Estate 12.90%
Cash & Cash Alternatives 4.1%	Fixed Income 10.3%	Non-U.S. Equity 39.4%	Non-U.S. Equity 20.4%	Real Estate 15.4%	Non-U.S. Equity 25.7%	Non-U.S. Equity 12.4%	Cash & Cash Alternatives 1.8%	Non-U.S. Equity 33.7%	U.S. Equity 16.9%	U.S. Equity 1.0%	U.S. Equity 12.87%
Real Estate -3.8%	Real Estate 2.8%	U.S. Equity 31.1%	U.S. Equity 11.9%	Non-U.S. Equity 14.5%	U.S. Equity 15.7%	Fixed Income 7.0%	Commodities -35.6%	U.S. Equity 28.3%	Commodities 16.8%	Cash & Cash Alternatives 0.1%	Non-U.S. Equity 10.37%
U.S. Equity -11.5%	Cash & Cash Alternatives 1.7%	Commodities 23.9%	Commodities 9.1%	U.S. Equity 6.1%	Cash & Cash Alternatives 4.8%	U.S. Equity 5.1%	U.S. Equity -37.3%	Commodities 18.9%	Non-U.S. Equity 9.0%	Real Estate -5.8%	Commodities 0.89%
Commodities -19.5%	Non-U.S. Equity -15.8%	Fixed Income 4.1%	Fixed Income 4.3%	Cash & Cash Alternatives 3.0%	Fixed Income 4.3%	Cash & Cash Alternatives 4.7%	Non-U.S. Equity -43.6%	Fixed Income 5.9%	Fixed Income 6.5%	Non-U.S. Equity -12.2%	Fixed Income 0.30%
Non-U.S. Equity -21.4%	U.S. Equity -21.5%	Cash & Cash Alternatives 1.1%	Cash & Cash Alternatives 1.2%	Fixed Income 2.4%	Commodities 2.1%	Real Estate -6.9%	Real Estate -47.7%	Cash & Cash Alternatives 0.2%	Cash & Cash Alternatives 0.1%	Commodities -13.3%	Cash & Cash Alternatives 0.01%

Sources: Bloomberg, U.S. Treasury, as of 3/31/12. See asset class benchmarks listed on page 8. The information contained herein has been obtained from sources considered reliable, but we do not guarantee that the foregoing material is accurate or complete.

ECONOMIC SNAPSHOT

The U.S. economy continued to recover in 1Q12, helped by mild weather. The Federal Reserve adopted an inflation target (2% for the PCE Price Index) and a soft unemployment rate target (5.2% to 6.0%). The Fed



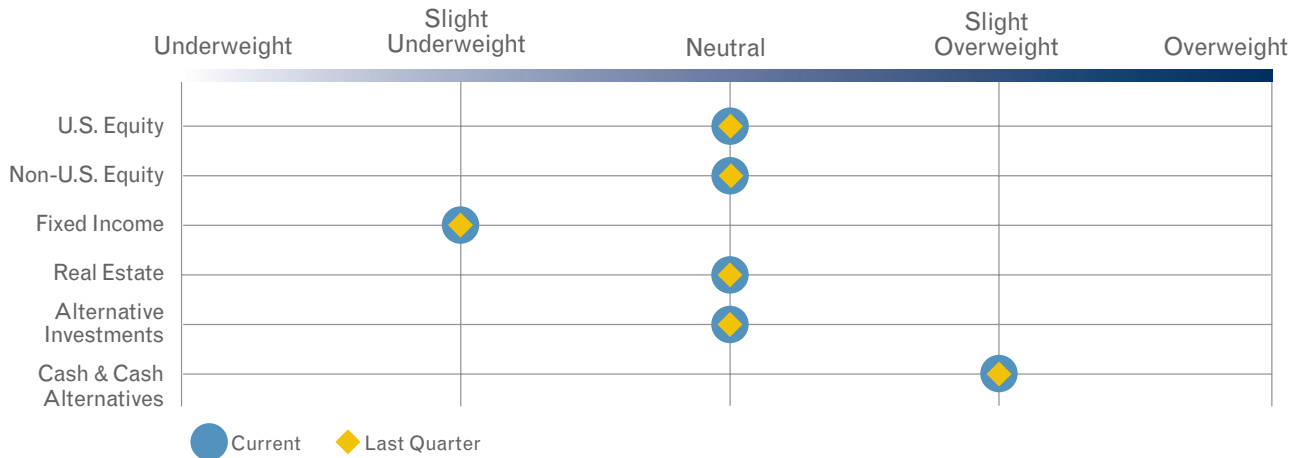
SCOTT J. BROWN, PH.D.
Chief Economist
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indicated that it expects to keep short-term interest rates low for a lot longer. Gasoline prices are the biggest wild card in the outlook for the remainder of the year.

Economic Indicator	Status	Comments
Growth		GDP growth is expected to be around 2.5% in 2012 – good, but not great.
Employment		An unusually mild winter boosted job growth in January and February, perhaps borrowing some job strength from the spring. Job destruction remains low. New hiring has improved, helped by easier bank credit for small and medium-sized businesses.
Consumer Spending		Replacement needs have driven motor vehicle sales higher. Higher gasoline prices are likely to be a moderate restraint in the near term.
Business Investment		Corporate profits have remained strong, which normally helps support business fixed investment. However, the trends in new orders and shipments of capital goods appeared lackluster into early 2012.
Manufacturing		New orders and production have generally improved. Softness in exports (the result of slower global growth) should be offset by stronger domestic demand.
Housing and Construction		Still struggling and mixed by location, but should improve gradually. A full recovery in housing is still years away.
Inflation		Higher gasoline prices will be a factor in the near term, but such pressures are transitory. Core inflation should remain at or below the Fed's 2% target. There is no inflation coming through the labor market.
Federal Reserve		Better economic data have reduced the odds of another round of asset purchases from the Fed. The Fed has a conditional commitment to keep short-term interest rates exceptionally low through late 2014.
Long-Term Interest Rates		Long-term rates normally rise as the economy recovers, but there is still a large amount of slack. Recurring worries about Europe should result in some flight to quality, preventing bond yields from rising rapidly.
Fiscal Policy		State and local tax revenues are recovering. Reduced budget strains should limit the drag from state and local government. However, federal fiscal policy is set to be a major drag on GDP growth in 2013.
The Dollar		Likely range-bound in the near term. The U.S. economy is expected to outpace Europe (a plus for the dollar), but continued large deficits may check the level of enthusiasm.
Europe		The European Central Bank's liquidity efforts appear to have averted a regional banking crisis, but problems continue for a number of countries. Europe is likely to be a recurring issue for U.S. investors.

DYNAMIC ASSET ALLOCATION DASHBOARD – 2Q12

The Dynamic Allocation Dashboard reflects the Investment Policy Committee members' current recommended weightings based on the relative 6- to 12-month outlook of each major asset class. Your financial advisor can help you interpret each recommended weighting relative to your individual asset allocation policy, risk tolerance and investment objectives. As a reference point, strategic asset allocation models can be found on page 7.



INVESTMENT POLICY COMMITTEE MEETING SUMMARY

CONSENSUS VIEW TO LEAVE ALLOCATIONS UNCHANGED; MAINTAIN SLIGHT UNDERWEIGHT TO FIXED INCOME

After increasing equity allocations back to normal levels at the beginning of the first quarter, the Investment Policy Committee made no changes at its April 3 meeting. The first quarter yielded attractive returns for equity investors as the S&P 500 as of March 30, 2012, was up 12.59% since the beginning of the year and up 21.2% since Thanksgiving 2011. David Henwood pointed out that the recent run-up in the equity markets may have been missed in many individual investor portfolios, "While there is evidence of institutional investors' greater willingness to increase U.S. equity allocations, recent data on mutual fund outflows shows that through mid-March 2012 individual investors are still continuing a three-year program of mutual fund redemptions."

Paul Puryear commented on the challenges in the fixed income market, "I continue to suggest a market weighting toward equities and a 5% underweight in fixed income, consistent with the current committee recommendation. At these levels I continue to prefer corporate bonds or other fixed income alternatives to Treasuries and prefer shorter duration to longer duration investing. Unprecedented government intervention in U.S. interest rate markets continues to create challenges for yield investors."

The committee members debated the impact of numerous potential headwinds on the economy and the markets. Scott Brown highlighted the concerns over U.S. fiscal policy, "The sun-setting of the Bush tax cuts, the expiration of the 2% payroll tax reduction and

government spending cuts are set to subtract about 4% from GDP growth next year. Most likely, lawmakers will kick the can further down the road after the November election (extending tax cuts or delaying spending cuts), postponing the hit to the economy."

Despite being the lone committee member recommending an increase to equities this quarter, Doug Harsham stated, "There are still plenty of obstacles that are dampening the potential growth. Europe is still a potential time bomb. The healthcare law has to be decided by the Supreme Court. How much are taxes going to go up? How high is the price of gasoline going to go up? Any combination of these issues could cause major moves in the markets depending on the outcomes!"

Jeff Saut shared his views of what to expect in the equity markets going forward, "I believe the Federal Reserve wants Wall Street to inflate; and, with the presidential election looming, President Obama will likely do everything in his power to keep the stock market ebullient. Thus, investors should be prepared for further policies designed to stimulate the economy, which should allow stocks to travel higher even if they do pause, or stumble, in the near term on concerns the fundamentals are turning squirrelly."

It may be a good time to review your current portfolio allocations in light of your long-term investment strategy. For the full Investment Policy Committee report, contact your financial advisor.

ASSET CLASS COMMENTARY

U.S. EQUITY

With short-term rates so low, investors struggle with the allure of higher equity returns versus the risk that corporate news will disappoint and capital losses will result. Given the improving economic news in recent months, this risk has started to abate. However, with U.S. equity markets up 21%+ since November 23, 2011, and corporate earnings growth slowing, returns are likely to moderate considerably over the next three to six months.



DAVID HENWOOD, CFA
Chief Investment Officer
Equity Research

NON-U.S. EQUITY

Over the past few weeks the equity markets have had to endure a plethora of bad news – China's slowing economy, rising interest rates, \$4.00 per gallon gasoline, a dysfunctional government, Iran, etc., yet the equity markets have refused to surrender much ground. Such action remains consistent with my mantra for this year, "You can get cautious, but DO NOT get bearish."



JEFFREY SAUT
Chief Investment Strategist
Equity Research

FIXED INCOME

In the fixed income allocation, I would still stay away from Treasuries unless you are ultra-conservative. Better options should be available in corporate debt and higher quality municipals for those who can accept some more risk. Unless we have an extreme scenario happen (European meltdown, disruption in the oil supply, etc.) I'd expect interest rates to drift higher over the next several months.



DOUG HARSHAM
Vice President
Municipal Fixed Income

REAL ESTATE

Near term, REIT investors can reap healthy dividend yields, and the spread versus the 10-year Treasury yield remains above historical averages. The MSCI REIT yield is 3.6% versus the 10-year yield at 2.2%, a 1.4% premium today, which compares to a 20-year average premium of 1.0%. We would encourage investors to diversify across the REIT sectors by owning both higher growth cash streams such as apartments and data centers and more defensive dividend stocks such as net lease.



PAUL PURYEAR
Managing Director,
Real Estate
Equity Research

ALTERNATIVE INVESTMENTS

As a result of increasingly positive U.S. economic data and the successful injection of liquidity into the European banking system by the European Central Bank, equities enjoyed a record first quarter with the S&P 500 Total Return Index appreciating by 12.6%. Importantly, the high levels of stock correlation seen throughout 2010 and 2011 greatly abated. We see this trend continuing, which implies a favorable environment for strategies dependent on security price dispersion, such as long/short equity investing.



TAREK HELAL, CFA
Vice President
Alternative Investments
Group

INVESTMENT THEMES

The following is a collection of investment themes that Jeffrey Saut has included in his recent commentaries. They are not specific recommendations of any investments, but are intended to provide both “bullish” investment ideas that can potentially be implemented in portfolios and “bearish” themes in which risks appear to outweigh potential returns. This list



JEFFREY SAUT
Chief Investment Strategist
Equity Research

is not exhaustive nor intended to represent a complete investment program.

You should discuss the themes below with your financial advisor to determine how they may apply to your unique circumstances. For Jeffrey Saut’s regular market commentary, talk to your financial advisor or visit Investor Access online.

BULLISH THEMES Investment ideas that are relatively attractive and may be considered for inclusion in portfolios.

LONG TERM:

- *“Stuff” Stocks (energy, agriculture, water, electricity, metals, etc.) – Recent action caused one old market maven to exclaim, “Have commodities begun another ‘leg’ down, or was this just a pullback within the context of a new upward trend?” My sense is it is the latter, and I would invest that way using the exchange traded product of your choice with last December’s “low” as a failsafe point. (4/9/12)*
- Emerging and Frontier Markets
- Dividend-Paying Stocks
- Technology
- Active Management over Indexing

SHORT TERM:

- *Healthcare – A boost for the equity markets seemed to be the tone of the questioning by the Supremes suggesting Obamacare may be in more trouble than expected. Such news continues to be a nightmare for the underinvested crowd; and the world remains profoundly underinvested in U.S. equities. (4/2/12)*
- Communications
- *Research & Development | Knowledge as an Asset – Knowledge may be the most undervalued asset out there. That’s why Microsoft paid \$1 billion for AOL’s patents. (4/10/12)*
- Distressed Debt
- Energy MLPs

BEARISH THEMES Some areas of the markets where we have concerns and should likely be underweighted or avoided in client portfolios.

- U.S. Treasuries
- Developed Europe
- Industries with structural challenges given technological advances
- Homebuilders

Dividends will fluctuate and are not guaranteed. Companies engaged in the technology sector are subject to fierce competition, and their products may be subject to rapid obsolescence. “Stuff” stocks include investments related to tangible items such as energy, timber, cement, etc. Investing involves risk and investors may incur a profit or a loss.

ASSET MANAGEMENT COMMENTARY

The equity markets rallied in the first quarter of 2012, generating the highest first quarter return since 1998. The S&P 500 was up 12.6% and was only outperformed by emerging market equity and international small cap. Most equity markets were up for the quarter, with small and mid-caps leading large-caps, and international developed markets trailing the U.S. markets for the third straight quarter. Fixed income returns were dominated by high yield and emerging market debt, while Treasuries were the worst performer.



NICHOLAS LACY, CFA
Vice President
Asset Management Services

FIXED INCOME POSITIONING

The Asset Management Services Investment Committee voted to add emerging market bonds to the Conservative, Conservative Balanced and Balanced portfolios. The committee's decision to place these trades was based on the current forward-looking capital market assumptions used by AMS to determine the portfolio allocations. Although emerging market bonds are more risky than many U.S. investment grade bonds, they are generally considered higher quality government debt and typically pay a higher yield than comparable U.S. bonds. This investment in emerging market debt does come with additional risk, as currency fluctuation and sovereign risks become an added source of volatility. However, we believe the upside potential adequately compensates for the additional risk.

MARKET VALUATIONS

One way to gauge whether or not the markets are undervalued or overvalued is to examine the price of the market versus the expected earnings of the market. This is referred to as the price-to-earnings ratio, or P/E Ratio. Since the market is supposed to be a forward-looking measurement stick, expected earnings are used instead of trailing earnings. The table below shows a range of S&P 500 earnings as well as a range of P/E ratios. For example, if the S&P 500 earns \$100 per share for the next four quarters and the assumed correct P/E ratio is 14, the S&P 500 should trade at a value of 1400. According to the Standard and Poor's website, the 2011 earnings per share as reported was \$107.11. As of the end of the quarter, the value of the S&P 500 was 1,408. If the earnings of the S&P 500 are the exact same for 2012, meaning no earnings growth, what should the S&P be worth given a specific P/E ratio? The average historical forward P/E has been around 14-15 over the last 30 years.

Price-to-Earnings Ratio

S&P 500 Earnings	12X	13X	14X	15X	16X
\$90	1,080	1,170	1,260	1,350	1,440
\$95	1,140	1,235	1,330	1,425	1,520
\$100	1,200	1,300	1,400	1,500	1,600
\$105	1,260	1,365	1,470	1,575	1,680
\$110	1,320	1,430	1,540	1,650	1,760
\$115	1,380	1,495	1,610	1,725	1,840
\$120	1,440	1,560	1,680	1,800	1,920

STRATEGIC ASSET ALLOCATION MODELS*

	Growth	Balanced with Growth	Balanced	Conservative Balanced			Conservative		
				New	Old	Change	New	Old	Change
U.S. Equity	60%	53%	48%	37%	37%	-	23.5%	23.5%	-
Non-U.S. Equity	26%	17%	12%	9%	9%	-	6.5%	6.5%	-
Fixed Income	0%	15%	30%	42%	38%	4%	57%	53%	4%
Real Estate	4%	4%	0%	0%	0%	-	0%	0%	-
Alternatives	8%	9%	8%	10%	9%	1%	6%	6%	-
Cash	2%	2%	2%	2%	7%	-5%	7%	11%	-4%

*The models assume fully allocated portfolios and do not take into account outside assets, cash reserves or other factors that should be discussed with your financial advisor when making investment decisions. Asset allocation does not ensure a profit or protect against a loss.

The asset classes and reference benchmarks are as follows:

Asset Class	Benchmark Used
U.S. Equity	Russell 3000
Non-U.S. Equity	MSCI World, ex-U.S.
Fixed Income	BC Aggregate
Real Estate	FTSE EPRA NAREIT Global Real Estate
Commodities	DJ UBS Commodity Index
Cash & Cash Alternatives	Citi 3-month T-Bill

There is no assurance that any investment strategy will be successful. Investing involves risk and investors may incur a profit or a loss. Asset allocation and diversification do not ensure a profit or protect against a loss. | International investing involves special risks, including currency fluctuations, different financial accounting standards, and possible political and economic volatility. Investing in emerging and frontier markets can be riskier than investing in well-established foreign markets. | Investing in small- and mid-cap stocks generally involves greater risks, and therefore, may not be appropriate for every investor. | There is an inverse relationship between interest rate movements and fixed income prices. Generally, when interest rates rise, fixed income prices fall and when interest rates fall, fixed income prices rise. | High-yield bonds are not suitable for all investors. The risk of default may increase due to changes in the issuer's credit quality. Price changes may occur due to changes in interest rates and the liquidity of the bond. When appropriate, these bonds should only comprise a modest portion of your portfolio. | U.S. government bonds and treasury bills are guaranteed by the U.S. government and, if held to maturity, offer a fixed rate of return and guaranteed principal value. U.S. government bonds are issued and guaranteed as to the timely payment of principal and interest by the federal government. Treasury bills are certificates reflecting short-term obligations of the U.S. government. | While interest on municipal bonds is generally exempt from federal income tax, it may be subject to the federal alternative minimum tax, or state or local taxes. In addition, certain municipal bonds (such as Build America Bonds) are issued without a federal tax exemption, which subjects the related interest income to federal income tax. Municipal bonds may be subject to capital gains taxes if sold or redeemed at a profit. | Investing in REITs can be subject to declines in the value of real estate. Economic conditions, property taxes, tax laws and interest rates all present potential risks to real estate investments. Dividends will fluctuate and are not guaranteed. | Commodities and currencies are generally considered speculative because of the significant potential for investment loss. They are volatile investments and should only form a small part of a diversified portfolio. Markets for precious metals and other commodities are likely to be volatile and there may be sharp price fluctuations even during periods when prices overall are rising. | **Alternative investments involve specific risks that may be greater than those associated with traditional investments and may be offered only to clients who meet specific suitability requirements, including minimum net worth tests.** Investors should consider the special risks with alternative investments including limited liquidity, tax considerations, incentive fee structures, potentially speculative investment strategies, and different regulatory and reporting requirements. Investors should only invest in hedge funds, managed futures, distressed credit or other similar strategies if they do not require a liquid investment and can bear the risk of substantial losses. There can be no assurance that any investment will meet its performance objectives or that substantial losses will be avoided. | Please note that all indices are unmanaged and investors cannot invest directly in an index. An investor who purchases an investment product that attempts to mimic the performance of an index will incur expenses that would reduce returns. Past performance is not indicative of future results. | The DOW is an unmanaged index of 30 widely held stocks. | The NASDAQ Composite is an unmanaged index of all common stocks listed on the NASDAQ National Stock Market. | The S&P 500 index is an unmanaged index of 500 widely held stocks. | The Dow Jones-UBS Commodity IndexesSM are composed of exchange-traded commodity futures contracts rather than physical commodities. | The Citigroup 3-Month T-Bill Index is an unmanaged index of three-month Treasury bills. | The Barclays Capital U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities. | The Barclays Capital U.S. Corporate High Yield Index is a total return performance benchmark for fixed income securities having a maximum quality rating of Ba1 (as determined by Moody's Investors Service). | The European Public Real Estate Association (EPRA) is a common interest group, which aims to promote, develop and represent the European public real estate sector. The National Association of Real Estate Investment Trusts[®] (NAREIT) is the trade association for REITs and publicly traded real estate companies with an interest in the U.S. property and investment markets. | The FTSE EPRA/NAREIT Global Real Estate Index Series is designed to represent general trends in eligible listed real estate stocks worldwide. Relevant real estate activities are defined as the ownership, trading and development of income producing real estate. | The Russell 3000[®] Index measures the performance of the 3,000 largest U.S. companies based on total market capitalization, which represents approximately 98% of the investable U.S. equity market. | The MSCI EAFE (Europe, Australasia, Far East) is a free float adjusted market capitalization index that is designed to measure developed market equity performance, excluding the United States & Canada. The EAFE consists of the country indices of 21 developed nations. | The MSCI World, ex-U.S. index is a market-capitalization-weighted index and is designed to provide a broad measure of stock performance throughout the world, with the exception of U.S.-based companies. The MSCI World ex-U.S. index includes both developed and emerging markets. | The Russell 2000 is comprised of approximately 2,000 of the smallest securities in the Russell 3000 Index. | The Dow Jones U.S. Select Dividend Index is comprised of 100 of the highest dividend-paying companies in the United States. Stocks are screened by dividend-per-share growth rate, dividend payout ratio and average daily dollar trading volume and are selected based almost entirely on dividend yield and dividend quality. | The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. As of December 31, 2010, the MSCI Emerging Markets index consists of the following 21 emerging market country indices: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Morocco, Peru, Philippines, Poland, Russia, South Africa, Taiwan, Thailand, and Turkey. | The MSCI Developed Markets Small Cap Indices offer an exhaustive representation of this size segment by targeting companies that are in the Investable Market Index but not in the Standard Index in a particular developed market. The indices include Value and Growth style indices and industry indices based on the Global Industry Classification Standard (GICS).

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